

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 PM-07 H-03 INR-11 L-03 NSC-07 PA-04

RSC-01 PRS-01 SP-03 SS-20 IO-14 FEA-02 AID-20 COME-00

EB-11 FRB-03 TRSE-00 XMB-07 OPIC-12 CIEP-03 OMB-01

IGA-02 DRC-01 /151 W

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O 130810Z SEP 74

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC IMMEDIATE 7691

C O N F I D E N T I A L PHNOM PENH 12279

E.O. 11652: GDS

TAGS: PFOR, ECON, EAID, EFIN, CB, US

SUBJECT: PRIME MINISTER LONG BORET SAYS ECONOMIC REFORMS

PACKAGE POSES SERIOUS POLITICAL PROBLEMS

1. I SPENT MORE THAN THREE HOURS ALONE WITH PRIME MINISTER LONG BORET EVENING SEPTEMBER 12, GOING OVER A LARGE NUMBER OF SUBJECTS, WHICH ARE BEING REPORTED IN SEPTELS. LONG BORET SAID HE INTENDED TO LEAVE PHNOM PENH ON SUNDAY, SEPTEMBER 15, FOR TEHERAN, PARIS AND NEW YORK, AND THE MARSHAL HAD APPROVED HIS TRAVEL PLANS PROVIDED HE DEALS WITH THREE PROBLEMS BEFORE LEAVING PHNOM PENH. THE THREE PROBLEMS ARE:

(A) ECONOMIC REFORMS PACKAGE;
(B) THE OIL DRILLING DISPUTE WITH THE GVN;
(C) THE PREPARATION OF INSTRUCTIONS TO BE SENT TO ALL KHMER EMBASSIES REGARDING THE FIGHT TO SAVE THE GKR SEAT IN THE UNGA.

2. WE AGREED THAT ITEM (B), THE DISPUTE WITH THE GVN, SEEMED TO BE WELL ON THE WAY TO A RESOLUTION. AS FOR ITEM (C), I SAID THAT HE OUGHT TO BE ABLE TO LEAVE

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INSTRUCTIONS BEHIND WITH THE PERSONNEL OF THE FOREIGN

MINISTRY TO PREPARE THE APPROPRIATE CABLES WITHOUT HAVING TO HANDLE THIS PROBLEM PERSONALLY. AS FOR ITEM (A), I SAID THAT WE CERTAINLY HOPED THE ECONOMIC REFORMS PACKAGE COULD BE FORMALLY APPROVED AND ANNOUNCED PRIOR TO THIS WEEKEND, AS A GREAT DEAL OF EFFORT HAS GONE INTO THE PREPARATION OF IT, IT IS READY TO BE LAUNCHED, IT IS IMPORTANT THAT IT BE PUT INTO EFFECT WITHOUT FURTHER DELAY, AND RUMORS ABOUT IT ARE ALREADY SPREADING LIKE A BRUSH FIRE.

3. LONG BORET SAID THAT UNFORTUNATELY THE ECONOMIC REFORMS PACKAGE POSES GRAVE POLITICAL PROBLEMS FOR HIM. HE SAID HE HAD BEEN MEETING WITH THE CABINET ALL DAY ON THIS SUBJECT, THERE WOULD BE ANOTHER MEETING WITH THE CABINET THE NEXT DAY (TODAY), FOLLOWING WHICH HE WAS SUPPOSED TO PRESENT THE CABINET'S RECOMMENATIONS TO THE EXECUTIVE COUNCIL FOR FINAL APPROVAL. LONG BORET SAID HE WAS ENTIRELY IN AGREEMENT WITH THE REFORMS PACKAGE ON ECONOMIC GROUNDS BUT HE WAS SERIOUSLY WORRIED ABOUT THE POLITICAL FALLOUT THAT WOULD INEVITABLY ENSUE. THINKING OUT LOUD, HE WONDERED IF IT COULDN'T BE DONE IN TWO OR MORE STAGES, THAT IS, SOME CHANGES NOW AND SOME MORE AFTER SOME WEEKS. ALTERNATIVELY HE WONDERED IF THE WHOLE THING COULDN'T BE HELD IN ABEYANCE UNTIL AFTER THE UNGA VOTE ON THE GKR SEAT.

4. I STRESSED AS STRONGLY AS I WAS ABLE, WITHOUT FORMAL INSTRUCTIONS IN HAND, THAT WE FEEL IT IS ESSENTIAL THESE ECONOMIC REFORM MEASURES BE INSTITUTED IMMEDIATELY WITHOUT FURTHER DELAY. I SAID THAT THE ECONOMIC SITUATION OF THE COUNTRY WOULD NOT PERMIT A DELAY UNTIL AFTER THE UNGA VOTE, WHICH WILL OCCUR AT AN UNPREDICTABLE DATE IN ANY CASE. FURTHERMORE I SAID THAT THE WHOLE POINT OF THIS PACKAGE WAS TO MAKE ALL THE NECESSARY CHANGES TOGETHER AND AT ONCE AND NOT TO DO THINGS PIECEMEAL OR IN SMALL STEPS THAT WOULD NOT SOLVE THE PROBLEMS OF THE COUNTRY BUT MERELY ASSUAGE THEM A LITTLE BIT PERHAPS. I MADE THESE POINTS IN FAIRLY STRONG LANGUAGE BUT DID NOT PROLONG THE DISCUSSION SINCE IT

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WAS OBVIOUS THAT THE PRIME MINISTER WAS STILL THINKING HIS WAY THROUGH THE PROBLEM AND HAD NOT DETERMINED ON ANY PARTICULAR COURSE OF ACTION.

5. USAID DIRECTOR OLMSTED AND I ARE IN AGREEMENT THAT WE MUST EXERT WHATEVER PRESSURE IS NECESSARY TO GET THE GKR TO IMPLEMENT THE ECONOMIC REFORMS ASAP. DEPENDING ON DEVELOPMENTS TODAY AND TOMORROW,

WE MAY HAVE TO GO BACK TO THE PRIME MINISTER TO MAKE AN EVEN STRONGER PITCH FOR ACTION ON THE ENTIRE PACKAGE NOW. ANOTHER POSSIBILITY THAT WE HAVE IN MIND IS TO TAKE IT UP AGAIN WITH SIRIK MATAK, IN THE HOPE THAT HE CAN CARRY THE DAY IN THE EXECUTIVE COUNCIL, AS HE HAS DONE BEFORE ON OTHER ISSUES.

6. BELIEVE IT WOULD BE HELPFUL IF THE DEPARTMENT WOULD PROVIDE FORMAL INSTRUCTIONS TO THE EMBASSY THAT WE COULD QUOTE TO THE PRIME MINISTER AS COMING FROM WASHINGTON IN SUPPORT OF THE FOLLOW-UP DEMARCHE THAT WILL MOST PROBABLY BE NEEDED.

KEELEY

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC STABILITY, PETROLEUM, MEMBERSHIP, CREDENTIALS PRESENTATION, DIPLOMATIC DISCUSSIONS, MINISTERIAL VISITS, TERRITORIAL CLAIMS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: kelleyw0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PHNOM12279
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740256-0243
From: PHNOM PENH
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740947/aaaabobh.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 25 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 APR 2002 by rowelle0>; APPROVED <19 MAR 2003 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRIME MINISTER LONG BORET SAYS ECONOMIC REFORMS PACKAGE POSES SERIOUS POLITICAL PROBLEMS
TAGS: PFOR, ECON, EAID, EFIN, CB, US, (LONG BORET)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005